

Repaired.

1948-49
1949-50
1950-51	1	1
1951-52	...	1
1952-53
1953-54
Total ...	1	2

(b) (i) 8.

(ii) 3.

(iii) 2.

Mr. SPEAKER.—Now shall we take up Bills or official Resolutions?

Sri A. G. RAMACHANDRA RAO.—Official Resolution.

(d) Grants for the restoration of tanks are not given for every hobli or for every Taluk. Apart from restoration a number of tanks are taken up for repairs of leaky sluices and of waste weirs every year.

(e) Yes. Their restoration will be taken up after the preparation of detailed estimates of each of the works. These tanks are proposed to be taken up in the order of urgency and importance. Repair works will, however, be executed as and when the need arises.

OFFICIAL RESOLUTION.

Adoption of the Central Public Debt Act in respect of public debt of the State.

Sri A. G. RAMACHANDRA RAO (Minister for Law and Education).—Sir, I beg to move.

“That this House do resolve in pursuance of clause (1) of Article 252 of the Constitution that the Public Debt Act, 1944 (Central Act No. XVIII of 1944), be adopted in the State of Mysore in respect of the Public Debt of the State.”

Construction of Primary School Buildings in Arsikere Taluk.

Q.—1003. Sri K. PANCHAKSHARIAH (Arsikere).—

Will the Government be pleased to state:—

(a) (i) the number of primary schools in Arsikere Taluk; (ii) out of them, the number of schools without buildings; (iii) in how many places amount has been deposited for construction of buildings;

(b) (i) the number of middle schools; (ii) the number of middle schools without buildings; (iii) in how many places the people of the locality have deposited money in Government for construction of buildings to these schools?

A.—Sri A. G. RAMACHANDRA RAO (Minister for Law and Education).—

(a) (i) 156.

(ii) 116.

(iii) 5.

Sir, I may submit that the Public Debt Act of 1944, that is the Central Act, was founded on the Indian Securities Act of 1920. By this Act of 1944 the Indian Securities Act of 1920 stood repealed. By that time, Mysore did not form the legislative part of the Union. The India Government had its own legislation, and the Mysore Government had its own legislation. The Mysore Government enacted in 1925 the Mysore Government Securities Act which was subsequently repealed and the Mysore Public Debt Act of 1953 was passed. This House will be pleased to see that the concurrent jurisdiction on behalf of these two pieces of legislation were running on parallel lines, and after the passing of the Mysore Public Debt Act several difficulties came to the notice of this Government. By that time there was the financial integration. There was the legislative organism as it were which began to function by which the Central Government Acts, many of them, began to operate in Mysore. And when the Mysore Public Debt Act was passed, as I

(SRI A. G. RAMACHANDRA RAO.)

9-30 A.M.

said, several difficulties arose. There was the Reserve Bank which began functioning in all the States, and when the Mysore Act began to operate, difficulties were found. Again, the commercial bodies who had to invest in the Mysore public securities, asked us whether it was approved security as per the Public Debt Act and if not how they could subscribe to the Mysore Loan. This Act came into prominence when we floated the recent loan. We could not say that it was an approved security of the Government of India though in practice it was like that. That was one great difficulty which we experienced.

Next, the Mysore Public Debt Act was found to have been made on some important amendments in the Indian legislation itself, for instance, under the Negotiable Instruments Act, the Contract Act and also regarding the regulation and succession of certificate holder. That was the period. Thus, the House will be pleased to see that this security, though it was of an all-India nature, had met with handicap. This handicap was there and it had to be removed.

Next, since money market is inter-provincial we felt that it is not confined to Mysore State itself. It will have reactions throughout the Indian Union and a regulation which operates throughout the Union would be more beneficial, more useful and will have a larger amount of public support.

Therefore, this motion has been moved in order to enable the Government to put this on a par with the other States and also remove the difficulties that were experienced during the last one year. Hence the motion. I commend it for the acceptance of the House.

Mr. SPEAKER.—Resolution moved:

“That this House do resolve in pursuance of clause (1) of article 252 of the Constitution that the Public Debt Act, 1944 (Central Act No. XVIII of 1944), be adopted in the State of Mysore in respect of the Public Debt of the State.”

Sri S. SRINIVASA IYENGAR (T.-Narsipur).—Sir, the Public Debt of Mysore was governed by the Mysore Government Securities Act of 1925 as has just now been stated by the Hon'ble the Law Minister. Till 1947, the public loan of Mysore was being handled by the State Loan Department of the Comptroller to the Government of Mysore. The State Loan Section used to maintain all the accounts that related to the Public Debt of Mysore. After the appointment of the Accountant General, the entire financial aspect of it was handed over to the Accountant General. The Accountant General himself could have undertaken the work of the State Loan Section along with the audit and accounts side of it. After the introduction of the Accountant General's Office in Mysore State, the Comptroller's Office was abolished; and I do not know whether this State Loan Section and the staff that was attending to the maintenance of the Public Debt of Mysore still remains or whether it has been wound up. But anyway, Sir, when the Accountant General reported that it is not his legitimate duty to maintain the Public Debt accounts of Mysore, the Government of Mysore thought it fit to hand it over to the Reserve Bank of India. And in the Statement of Objects and Reasons of the Public Debt Bill, 1952, they have stated that they have thought of handing over the management of the Public Debt of Mysore to the Reserve Bank and that the Reserve Bank expected the Government of Mysore to see that they have an enactment which was similar to that of the Government of India Public Debt Act of 1944 and then only that the Reserve Bank would undertake the question of having the public Debt of Mysore under their control. It is with this object that the Government of Mysore introduced the Public Debt Bill in the year 1952 and it is today the Public Debt Act of 1953 of Mysore. Not even one year has elapsed. Once again the Government of Mysore is introducing a resolution that they want to scrap out the Public Debt Act of 1953 and adopt the Public Debt Act of 1944 of the Centre. I am

asking the Government, why did they not think about this when they introduced the Public Debt Bill of 1952? In these circumstances, they could have thought about that. They knew definitely well that the Accountant General had said that it is not his duty or function to take up the question of maintaining the Public Debt Accounts of the Mysore State.

Consequent on this, they had asked the Reserve Bank to take over the Public Debt of Mysore and the Reserve Bank had agreed subject to the condition that they enacted a piece of legislation that would be similar to that of the Public Debt Act of 1944 of the Centre. So, I really cannot understand why the Government did not move a resolution then alone and why they did not think about this contingency in the year 1952 itself when they introduced the Public Debt Bill of 1952 that has been passed into law, which today is on the statute book as the Public Debt Act of 1953.

Sir, apart from this, I believe the Government of Mysore has to pay something in the shape of commission to the Reserve Bank of India for maintaining our Public Debts and I may say that the Reserve Bank is being paid about Rs. 2,000 for every crore of Public Debt. We are having a Public Debt of nearly 19 crores and perhaps it may be necessary for the Government of Mysore to pay to the Reserve Bank of India a commission of 38,000 to 40,000 every year for undertaking the maintenance of the Public Debt Accounts of the State of Mysore. I agree with the Government of Mysore that if a Central agency undertakes to deal with the question of Public Debt, it would be easier for any State to raise loans and to have stability in the financial market of India. But I am charging the Government with negligence for not having thought about these things when they placed the Public Debt Bill before us last year. I cannot really understand why we should be asked to legislate year after year about the same subject. They could have consulted the Reserve Bank of India instead of taking all the trouble to enact a separate legislation. Now I want to ask them, what prevented

the Government last year in bringing a similar resolution requesting this House to adopt the Public Debt Act of 1944. They knew the existence of the Public Debt Act of 1944 of the Centre. Last year also they knew about it. They could have asked the Reserve Bank of India and sought for their advice. Of course, if the Government of Mysore had asked for their advice last year and if the Reserve Bank of India had asked them not to adopt the Public Debt Act of 1944 of the Centre, then it is a different matter. So I would very much like to know whether the Reserve Bank of India had advised them to adopt the Public Debt Act of 1944 of the Centre last year alone and whether the Government of Mysore decided otherwise and if so why they decided otherwise, is a matter that is to be explained.

Sir, I think, as I have already said, the State Loan Section of the former Comptroller's Office is still in existence and if so, I want to know whether the Government of Mysore cannot undertake the work of maintaining the Public Debt under the present circumstances with the financial section. If they are not in a position to maintain these accounts, I would like to know why. What are the difficulties that are in the way of maintaining the Public Debt Accounts of Mysore? Because, if we entrust it to the Reserve Bank—perhaps we have already entrusted—the State will have to pay nearly Rs. 40,000 towards the commission charges, as I have already said.

Sir, the other point that the Hon'ble Minister was pleased to raise at the time of moving the resolution was the question of the commercial concerns investing in the loans of the State. I understand that point. I believe the Government of Mysore have experienced some difficulty about that in the development loan of three crores that was raised last year. The Insurance Companies are governed by the Insurance Act of India. That Insurance Act is applicable to the Government of Mysore too. The Insurance Act lays down that if the Insurance Companies invest their surplus amounts in approved Government

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securities, that will be considered as cash balance. The Hon'ble Minister was pleased to say that 'approved securities' did not apply to the investments in the Mysore Development Loan. Why? In the Insurance Act it is said that the definition of the term 'approved securities' is that contained in the Public Debt Act of 1944 of the Centre. The Public Debt Act of 1944 of the Centre has defined this term 'approved Government Securities'. Now it is up to the Government of Mysore to write to the Government of India requesting them to include under the definition of 'approved Government Securities', the development loan of Mysore State. Where is the difficulty? Why should we legislate year after year about the same subject? Now in effect what happens is, we have passed the Act in 1953. It is on the Statute Book of the State. In 1954, we are asked to scrap it and adopt the Public Debt Act of 1944 of the Centre.

I want to know another thing: whether the Public Debt Act of 1944 of Centre has a provision wherein the Centre can apply that Act to the State. If I remember right, I think it must be like this. There is a schedule in the Public Debt Act of Mysore and the Centre. In that Schedule, Part A States alone are included. Under the Constitutional provision quoted by the Hon'ble Minister, the State Legislature has to pass a resolution requesting the Parliament to legislate in order to see that Part B State, that is Mysore, is also included in the Schedule. So, I do not know whether what is needed is the adoption of the Central Act or simply the request of this House to the Parliament to see that Mysore is included in the schedule of the Public Debt Act of the Centre? Adopting the Bill as such or amending the Bill—these are the two issues. Either the Public Debt Act is adopted or we have to resolve requesting the Parliament to include the State of Mysore in the Schedule. That is another point that needs a little clarification.

Sir, the Public Debt Act of 1953 of Mysore State and the Public Debt Act of 1944 of the Government of India are

similar in every respect. If you read these two Acts having them side by side we can see that almost all the sections are similar. Then, why should we once again request the Government of India to say that their Act is made applicable to the Mysore State? On the other hand, I think, what is needed is the amending of the Insurance Act of the Centre, or the Centre should say that the Development loans of Mysore State are considered as approved Government security. It would be an easier matter. Therefore, Sir, I submit that it is not consistent with our prestige to withdraw our Act which has been passed last year and request the Government of India to make the Public Debt Act of 1944 of the Centre applicable to Mysore State.

SRI M. V. RAMA RAO (Tumkur).—The Mysore Public Debt Act was passed, as this House will remember, only last year. The latest Mysore Loan was also raised, as the House will remember, last year. During the Session of the House in the year 1953 there were several occasions on which Hon'ble Members of this House had occasion to make various observations with particular reference to the very slow response that was being received to the appeal for subscription to the Mysore State Loan. On one of those occasions I raised a point.....

MR. SPEAKER.—It is over-subscribed.

SRI M. V. RAMA RAO.—It has now been over-subscribed, Sir. On one of those occasions I raised a point as to whether there had been any difficulty for Insurance Companies investing their funds in the Mysore State Loan by reason of this particular loan not having been recognised or declared to be an approved security within the meaning of the Indian Insurance Act. On that occasion, as I now recollect, the Hon'ble the Finance Minister who replied to that point and to those references said that that point had been examined and arrangement had been effected in consultation with the Central Government and there was no difficulty whatsoever in the way of Insurance Companies investing their funds in the Mysore State Loan. The matter rested there. Now, it seems, some further

difficulties have arisen which were not present then. The Hon'ble the Minister who moved this resolution went on to say that subsequent to the enactment of the Mysore Public Debt Act various developments had occurred, notably the financial integration of Mysore State with the Indian Union. It seems to me that either the Hon'ble Minister was referring to an earlier Act passed by the Mysore Legislature or he was making a mistake. I have no desire, Sir, to infer that he was making a mistake because it is just possible he was referring to an earlier Act which stood repealed upon the enactment of the Mysore Public Debt Act of 1953. This House will remember that the Mysore Public Debt Act of 1953 contains the definition of a "Government security" which is word for word the same as the definition contained in the Public Debt Act of 1944 passed by the Central Legislature. The only difference is that the "Government security" under the Mysore Public Debt Act will be such security as this Legislature is competent to declare as "Government security" while 'Government security' under the Indian Public Debt Act of 1944 would be a security which the Indian Parliament would be competent to declare as "Government security". For the purpose of the Indian Insurance Act which enables or authorises Insurance Companies to invest their funds in "approved securities," the Mysore Public Debt Act of 1953 and the Indian Public Debt Act of 1944 which define in exactly the same terms the expression "Government security," seem to present not merely some difficulty but a constitutional problem. It seems to me that the view of the Central Government, probably, is that in so far as the legislative competence of this House is concerned, it is not for the Legislature of the State to legislate in respect of an entry which falls properly and exclusively within the Union List of legislative matters. It will be seen that entry 46 of the Union List, the first list in the Seventh Schedule under Article 246 of the Constitution, deals with Bills of exchange, Cheques, promissory notes and other like instruments.

At the same time entry 43 of list 2 of the Seventh Schedule deals with the Public Debt of the State. The Mysore Public Debt Act of 1953 was an Act passed by this Legislature in exercise of the Legislative powers conferred by the Constitution on this State by virtue of Entry 43 of the Seventh List 2. The difficulty about the securities issued by the Mysore Government for raising the Three Crore Loan last year seems to arise on the question of the negotiability or the non-negotiability of the securities issued because the subject of negotiable instruments generally would seem to come under entry 46 of the Union List. Sir, it is no doubt true that Bills of Exchange, Promissory Notes and Negotiable Instruments generally fall within the exclusive legislative competence of Parliament because the entry relating to these matters is contained in the Union List of legislative matters. But since Entry 43 of the State List deals with the Public Debt of the State, it cannot be argued or maintained that the State must legislate in regard to matters concerning the Public Debt of the State without being at the same time competent to make its own securities negotiable to that extent. The negotiability of the securities issued by the State of Mysore, to the extent to which they relate to the Public Debt of the State, in itself would not be an encroachment upon the legislative powers of the Indian Parliament under Entry 46 of the Union List but merely ancillary to the legitimate exercise of the powers invested in the State Legislature under Entry 43 of the State List. It may be that for other reasons, perhaps administrative,—I am not in a position to say what those reasons may be, perhaps the Hon'ble the Finance Minister or the Hon'ble the Minister who moved this resolution would be in a position to say what those reasons are,—for reasons best known to the Government of India, they consider that unless the Public Debt Act of 1944 passed by the Central Legislature is adopted in Mysore by a resolution such as the one which has been placed before this

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House now by the Government, the investment in the securities issued by the Government of Mysore with respect to the loan of the year 1953 would not be in order under the Insurance Act. As I said, when the matter was raised last year, it was explained that the loan had been declared to be an "approved security" within the meaning of the Indian Insurance Act and therefore Insurance Companies were fully at liberty to invest their moneys if they thought fit in the Mysore State Loan. If that is so and if these investments have been made, as I know they have been made in quite a reasonable measure, what is the special reason now that arises which compels the State Government to ask the Legislature to adopt a resolution which in effect wants to substitute the Central Public Debt Act of 1944 for the Mysore Public Debt Act of 1953?

The reasons that were stated by the Hon'ble the Mover of the resolution did not, if I may say so, clearly explain the constitutional position or the administrative difficulty. I may also state, Sir, that although this resolution may be adopted by this House, the Mysore Public Debt Act of 1953 will still remain on the Statute Book. The effect of this Resolution will not be a repeal of the enactment relating to the Public Debt of Mysore which this Legislature has spent some time to place on the Statute Book. If the Mysore Public Debt Act of 1953 is to remain on the Statute Book and if by means of this resolution we also adopt the Indian Public Debt Act of 1944 so as to make it applicable to the State of Mysore, what is the particular benefit or advantage that the Government seek in having two enactments relating to the same subject in force in the State of Mysore? This is a matter on which I hope the Hon'ble the Minister will be able to state something. It seems to me that if the object of the resolution is to concede the probable view-point of the Central Government or the Ministry of Finance of the Government of India that the Public Debt Act of Mysore passed in the year 1953 was not within the legislative competence

of the State of Mysore then, Sir, all that I wish to say is that that would not be either a correct or a tenable position. It could not have been intended by the framers of the Constitution among whom at least one or two are at present members of this House, that the authority to legislate in respect of the Public Debt of the State is to be divorced from the authority to make the securities in respect of that Public Debt negotiable. I hope, Sir, the Hon'ble the Minister who has moved this resolution will throw further light upon these points.

Sri K. PATTABHIRAMAN (Kolar).—Shall I continue now or after lunch?

Mr. SPEAKER.—After lunch. The House will now rise for lunch and meet again at 10-30 A.M.

The House adjourned for Lunch at ten of the Clock and reassembled at Thirty Minutes past Ten of the Clock.

[MR. SPEAKER IN THE CHAIR.]

Sri K. PATTABHIRAMAN.—Mr. Speaker, I would like to place before the Hon'ble the Minister who has moved this resolution one or two difficulties which require certain clarification. I generally agree with what has been suggested by Sri Rama Rao and Sri Srinivasa Iyengar on the floor of the House. There is one particular point which has also been stressed by Sri Rama Rao and I would request the Hon'ble the Minister concerned to kindly see what its effect would be; by passing a resolution of this kind suggesting that in view of the Constitution a resolution be passed by this House bringing into force in Mysore the Public Debt Act, 1944 of the Government of India, what its effect will be on our own Act which has been passed only last year has to be considered by this House. The result will be that at the same time there will be two bodies of law or two statutes as it were, each having the force of law, one by virtue of a resolution which in these particular circumstances has also the force of statute and

another by a duly enacted legislation of this House. That is one thing that I want Government to consider.

There is also another aspect which I would request the Government to ponder over and see what its effect will be. Now you are asking that the Public Debt Act, 1944 which is in vogue in India shall also be brought into force in Mysore and for what purpose? I consider there may be two difficulties which are sought to be obviated by enacting a legislation of this kind. Under the Central Act, "approved securities" have been so defined as those which are included in the Schedule attached to the Government of India Act, 1944. Now in the absence of that, when a debt or a loan is floated by Mysore and subscriptions are invited, so long as it is not included as approved security in the Schedule attached to the Public Debt Act of the Government of India, it will not be competent to have the surplus amount available from the various insurance and other companies and invested in the securities of Mysore Government, so long as they are not considered as "approved security" within that Act. If that is the only difficulty that is experienced—and I see that there is absolutely no other difficulty that has been placed before us—if that is all the difficulty, for that to be got over, the easiest thing as I can envisage is for the Government of India being moved in the matter so that they may include in the Schedule attached to the Central Government Act as approved security the loan floated by the State Government also. That will obviate all the difficulty and if that is really in our way—I do not see anything else—it could be easily avoided.

I may recall to the members of this House an explanation given on the floor of the House when last time this question cropped up. Sri Rama Rao was perfectly right in emphasising that. It was said that as the Reserve Bank had made this a condition precedent to lend its good offices and its valued offices to float our loan and to assist us in our loan transaction, a legislation of this kind was enacted by this House. It was in those circumstances that a

Bill of that kind had to be hurried through and if I may say so without meaning any disrespect to anybody, that legislation was in fact passed hardly within 30 minutes and that legislation was sought to be made so imperative as to require immediate implementation. But what is it that has happened now that after 12 months you must ask us to have this kind of Bill?

Another aspect I want the Government to consider. For the last three years we are considering certain financial responsibilities and certain financial independence has to be envisaged by the State. In the general context of this financial allocation between the Centre and the State a suggestion has always been made on the floor of this House that the independence of the State in regard to several financial matters should not be curbed in any manner. When we are suggesting that even the independence that we have already enjoyed must be liberalised and greater financial powers must be invested in the State and to the extent to which that is sought to be curtailed by the Centre we must ask for independence from the financial control of the Centre—when that is the trend that we are developing in so far as these matters are concerned, does it augur really well or does it really sound very reasonable that we must think of a Bill whereby the Central Act is going to be enacted in Mysore? Therefore I say that this broader question of the whole financial allocation and the division of financial power between the Centre and the State has got to be settled once for all. When all these matters are there, it will not be wise to enact a Central legislation as part of our own legislation. That is a serious argument to be considered. In my humble opinion, I do not find anything very particular and so urgent about this legislation. Supposing for the sake of argument we say we do not pass a resolution of this kind. Does it really hamper our work in any manner? Sri Rama Rao was right in asking the Government to explain to us as to what are the administrative difficulties, such difficulties as might

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appear to be insuperable, so that there can be but one alternative, that is, enacting a legislation of this kind. Supposing this resolution is not passed. Heavens will not fall; our difficulties will not increase. In the Budget proposals you have also suggested that another three crore loan has to be raised in 1954-55. If you think that the passing of a legislation of this kind will help you in regard to the loan, let us know where we stand. If in the context of the new loan to be floated in 1954-55 as envisaged in the Budget, does this Bill become necessary? If that is so, will it not be possible for this Government to move the Central Government to include as approved security the loan that it floated by the State? There is also another thing. It is not with a sense of inferiority complex that I was trying to canvass it. What is the object of the Central Government in saying: "Unless you pass a Bill of this kind and unless you bring into force the Public Debt Bill, we cannot help you". That attitude of the Government of India I must request this Government to consider deeper. Is it not really derogatory to our self-respect and to our own constitutional position if the Government should dictate to us and say: "Unless this is done we cannot help you." I would rather feel that there must be correspondence between the Government of India and the Government of the State such as to impel the State to come forward with a legislation of this kind. That has not been made clear to us. I must apologise and say that when the resolution was being moved on the floor of the House by the Minister for Law, I was not present. Nevertheless from such report as I have received—and I see the report has been authentic—I can say we are not compelled to sponsor this resolution. Is it necessary in this state of affairs when the loan that you are going to float is not going to be materially affected by this legislation and the loan that you have already floated namely three crore loan has been over-subscribed and that chapter is also closed; in the interregnum, in between, where is the need for this resolution? Is it not possible to delay

the resolution? We are wholeheartedly with the Government if the Government were to express certain difficulties in order to get over which it has become absolutely necessary; in which case I am one of those who are prepared to support the Government and say 'let us pass a resolution'. Finally, I must confess as things stand, from the light that has been shed on this question these 1½ or 2 hours, absolutely nothing has been suggested to show that there is something impending, something almost necessary and that it is inevitable that the resolution had to be passed. This is the third submission I am making to the Government. Kindly delay this resolution. This resolution has got a greater effect. In fact the whole constitutional structure is worrying some of the minds in the States, not only in Mysore but even outside. Therefore, there is no immediate need, nor is it imperative to pass this resolution. In the absence of any such need, there is no need to hurry about this. Such unnecessary haste can be avoided.

Therefore I ask the Government: have you considered the effect of having two legislations at the same time. Sri Rama Rao has also pointed out this matter. What will be the effect? After this Bill has been adopted in Mysore, the difficulty is this. Within our legislative competence as envisaged in the B list of the Schedule, we have got power to legislate, and in accordance with that power we exercised and passed legislation in 1953. On the other hand there is the Central Union List by which the negotiability of these instruments are sought to be made exclusively as entered in the Union List. When both legislations are there, the result will be: to the extent to which the negotiability of this instrument is going to be effected, the 1953 Act which is passed will come into operation, so long as the security is negotiated within the State. But the moment it goes outside the border, its negotiability will depend on the Central Act. Have you considered the legal position of that kind? The same instrument is negotiable under one law in Mysore, and the same is negotiable under a

different law outside Mysore—is that what you have been thinking? I want that these difficulties should be set at rest once for all. Do you mean that an instrument negotiable in Mysore be negotiable outside the State of Mysore also, you want to do that under the Indian law and therefore you want the Public Debt Bill? The easiest solution will be to request the Government of India to include this security and bring it under the Public Debt Bill. What is the difficulty for the Government of India? But something impels me and it becomes inevitable for me to put this question. Is it your case that the Government of India is not inclined to accept the security of Mysore as the particular security under the Public Debt Act of India? If that is so, I would be sorry to know it. If that is not the position, I do not think there is reason why the Government of Mysore should be so much worried about this matter. In wholeheartedly endorsing the several suggestions made by the two Hon'ble Members who preceded me, I would request the Government to stay their hands for a while. It is not a question of repealing the Mysore law. That can be repealed only by another repealing law. By accepting a resolution of this kind, the Centre will have seen that the effect of Mysore law became almost nil. That cannot be. Only we are competent to repeal. The Mysore law is not going to be abrogated. When it is still good law for all practical purposes, the limited advantage that we may after all get by passing the resolution is to make the Mysore loan an approved security of the Government of India. That is an advantage. We will make the request to the Government of India; considering the stability of our State and all other matters, and as the loans of our State are over-subscribed and that is the credit our Government has, we must have a strong case before the Government of India to urge. There is one solution which is the easiest and the best, and that is by making the Government of India include Mysore loan as also an approved security. That seems to me to be the surest and the simplest way

considering the larger issues of financial powers. At this moment when the larger question of amendment to our Constitution is envisaged, it will not be fair and wise that you should force the issue and ask our approval for a resolution of this kind. With these remarks I make a personal appeal to the Finance Minister to stay his hand and not to have this resolution pressed. Let us not vote it down nor pass it. Stay your hands until the broader question is settled.

Mr. SPEAKER.—It is stated in the Public Debt Act of 1944, Section 1, sub-section (2) that “it extends to the whole of India except Part B States”.

Sri K. PATTABHIRAMAN.—That has been referred to by Sri Rama Rao. He has made it clear. If amendments are made by the Government of India, the difficulty will be solved. They can put the loans of Mysore in the Schedule as approved Security. You are not repealing the concerned legislation. Therefore, you must agitate with the Government of India to get that amendment made. Otherwise, no particular case is made as to why this concurrent legislation is also going to be enacted, as to why both of them simultaneously, co-exist in Mysore.

Sri A. G. RAMACHANDRA RAO.—Sir, Government fully appreciate the points of view expressed by Hon'ble friends and Government is equally willing to have full discussion of the issues as is necessary. We are not hurrying. But at the same time I may briefly describe the present position, the past commitments of the State which have lead to this, in order that the whole problem might be envisaged and also pursued. I wish at once to point out the difference between the approved securities and the Government securities. The approved securities are those which have been approved by the Government of India and which have operation throughout India, and Government Security is another which has also the same effect throughout India, but with greater effect. So, that is the main point which has got to be understood. I shall be reading a letter from the Government of India. That will further clarify the

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 matter and the necessity for this resolution which has been brought up. This is the extract.

“We refer to the extract of the letter No. 110/I.E.3/43 from the Assistant Controller of Insurance and have to inform you that in so far as investment by Insurance Companies is concerned, these companies prefer ‘Government Securities’ within the meaning of Section 2 (7) of the Insurance Act as these stand on a par with the securities of Part ‘A’ States and of the Central Government whereas the securities of the Mysore Government are only ‘Approved Securities’ on a par with Municipal and Port Trust Loans guaranteed by the Part ‘A’ States. We feel that if your securities are placed at par with those under Section 2 (7), they will have a stable market and continued demand making it easy to invite subscriptions for these loans at the time of floating new loans by the State. The distinction between Government Securities [Section 2(7) and approved securities Section 2(3)] is material in relation to investments by Insurance Companies.”

I must say that the Government have put it as approved security. There need be no doubt on that point. But a further point is made out between approved securities and Government Securities: that Government Security will be on a par with the loans issued by Part A States and also by the Union Government, and approved securities are on a par with Municipal loans, Port Trust loans and such kind of loans. So, in the eye of the investing public the Government Security has greater value than an approved security. It is from this point of view we have to see. That is the first position.

Next position is, Government is as anxious as members of the House to conserve the legislative and the financial powers of the Legislature. It is with that view we are progressively moving up, reluctant at every stage as to what should be conceded to the Centre and

what should not be. That is at the back of our mind as to why the Act of 1953 was invoked in the way it was done. Why we have come now before the House with this motion is, I may invite and bring to the notice of the Hon'ble Members the note that was put up when the 1953 Act was extended. At the time there was an opportunity to examine what should be the position if we accepted that Act. I may be permitted to read that note.

Sri K. PATTABHIRAMAN.—You have brought out a distinction between an approved security and a Government Security. When it is subscribed for under the Public Debt Act of the Government of India, why is the security not a Government Security I do not understand. By no stretch of imagination can it be said that so long as the Mysore Act is in force, until it was repealed, the security that you are going to get can never be a Government Security within the meaning of the Central Act of 1954. I want you to consider the legal position and have it clarified.

Sri A. G. RAMACHANDRA RAO.—That is true. But the difficulty will not be met. On the other hand, the effect of passing legislations by adopting this resolution is this. If the resolution is passed, the Government of India will have to amend their Act and state that that enactment will be extended to Mysore also and it will then be putting our State on a par with part ‘A’ State. In pursuance of adopting this resolution by this House and also by the Legislative Council, the Union Government will have to take it up and make necessary adjustments in legislation.

Sri K. PATTABHIRAMAN.—I have already anticipated this suggestion. Without this resolution, the position would be, you can request the Government of India to do that. By passing this resolution, you are not enabling anything. In fact at Government level the matter can be taken up. What is the point in asking us to ratify this resolution, so long as the Mysore law is still good law. I want that difficulty to be made clear.

Sri A. G. RAMACHANDRA RAO.—The Government of India, before launching an amendment, wanted a resolution of the kind moved now, under article 252 of the Constitution.

Sri K. PATTABHIRAMAN.—I am afraid, possibly my powers of comprehension are poor and weak, but nevertheless I will still try to make the position clear. I have not been able to understand the immediacy as regards a resolution of this type being moved. Why do you want this resolution? Now you have brought it as the only way. But I say that without this resolution the Government of India can come to our rescue if they really mean to and if you can make a request. The Government of India can amend our law.

Sri A. G. RAMACHANDRA RAO.—They cannot amend our law. To enable them to go ahead they want agreement of the Mysore Government to legislate.

Sri K. PATTABHIRAMAN.—But even without this resolution they can amend. That is what I have been suggesting.

Sri A. G. RAMACHANDRA RAO.—The resolution is necessary under the Constitution. I will read article 252.—

“252. (1) If it appears to the Legislatures of two or more States to be desirable that any of the matters with respect to which Parliament has no power to make laws for the States except as provided in articles 249 and 250 should be regulated in such States by Parliament by law, and if resolutions to that effect are passed by all the Houses of the Legislatures of those States, it shall be lawful for Parliament to pass an Act for regulating that matter accordingly, and any Act so passed shall apply to such States and to any other State by which it is adopted afterwards by resolution passed in that behalf by the House or where there are two Houses, by each of the Houses of the Legislature of that State.”

Sri K. PATTABHIRAMAN.—I am afraid I cannot agree with you. Sri

Rama Rao has already anticipated that. It cannot be argued that within the State we are not competent to legislate. Legislation is there already. Where a State or more than one State wants legislation in a particular matter, not being competent to legislate, in such case it can or they can request the Centre to come to its or their aid and to pass legislation or give the necessary relief. But where they themselves are competent, as Sri Rama Rao put it, under the 1953 Act, they need not move a resolution of this type.

Sri A. G. RAMACHANDRA RAO.—For the extension of the Central Public Debt Act of 1944 the Government are advised by the Central Government that a resolution of this kind is necessary.

Sri M. V. RAMA RAO.—Possibly the correct position is that under article 252 of the Constitution in order to make the Public Debt Act of 1944 passed by the Central Legislature applicable to any part B State such as Mysore, an amendment of that Act in Parliament would be necessary and the foundation for making any such amendment or bringing forward any such amending Bill would be the adoption of a resolution such as now before this House. That I think is the correct position.

Sri A. G. RAMACHANDRA RAO.—That is what I have submitted.

Sri M. V. RAMA RAO.—Although it is the correct position, what I was seeking to ascertain was whether it was not at the instance or at the desire of the Government of India that the Mysore Public Debt Act of 1953 was passed incorporating essentially almost everything that is contained in the Public Debt Act of India of the year 1944, and if that was the position, what has since happened between the middle of 1953 and now to necessitate the application of the Central enactment to Mysore in supersession of or as an alternative to the Mysore enactment passed only last year.

Sri A. G. RAMACHANDRA RAO.—I had not come to that position and meanwhile I was interrupted. In 1953 when that piece of legislation was brought up, this is the note that the

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Law Department put up just to show how the Government is anxious to conserve the financial and legislative powers of the Government. We were reluctant to give more than absolutely necessary at that time. I will read the note for the information of the House.

"Article 293 authorises the State to borrow within India on the security of the Consolidated Fund of the State, within such limits as may be fixed by the State Legislature by law. Under entry 43 of the State List (List II) of the Seventh Schedule to the Constitution, the State has exclusive powers of legislation in respect of the Public Debt of the State. The effect of passing a resolution by the State Legislature as suggested by the Government of India, in pursuance of article 252 (1) will be, the powers of the State Legislature are taken away and will become vested in the Parliament..."

That is what is going to happen and that is what we did not want to happen and hence the Act was passed.

"Any future legislation made by the Parliament on the subject will be binding on the State and the borrowings of the State Government will thus become subject to a law passed by the Parliament."

It is because of that position we had in mind, we passed the 1953 Act just to meet the emergency that arose, though we were reluctant to do so.

Now I come to that legislation. I just invite the attention of the Hon'ble Members to the Statement of Objects and Reasons given in that Act. It says:

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"The law relating to the public Debt of the State now in force is the Mysore Securities Act of 1925 which confers certain powers of management on the Comptroller. After the separation of the Audit Depart-

ment and the appointment of the Accountant-General by the Government of India, it has been suggested that the Accountant-General has to be relieved of the work relating to the Public Debt of the State. The work relating to the Public Debt of the Central Government and of the Governments of Part "A" States is now managed by the Reserve Bank of India, under the Public Debt Act of 1944. An agreement has been entered into with the Reserve Bank of India for the management of the Public Debt of the State and they have suggested an enactment of a law on the lines of the Central Act. This Bill has accordingly been brought forward."

This House will be pleased to see that there were two things at that time. One was, the financial independence enjoyed by Mysore State till the integration was effected deeply and any loan that the Mysore State would float could only be done with the approval of the Government of India. We did not have that fetter before and that fetter made us in a way subordinate to the Government of India in respect of the Public Debt. And the second factor was that the Government of India manages its Public Debt through the Reserve Bank of India and this Government entered into an agreement with the Reserve Bank for the management of the State's Public Debt. Regarding expenses, my Hon'ble friend has already quoted figures and I will not dilate upon that. Therefore the intervention of the Reserve Bank on the one hand and the supervision of the Government of India on the other, necessitated our enacting this law as we did in 1953. Even at that time, it was suggested that by a resolution the Public Debt Act of 1944 should be brought into operation in Mysore and it was the reluctance of the Mysore Government to give all the powers, as I submitted already, that made us enact that Act with its own limitations. And after it was passed, the public loan was floated and now, of course, we are very glad that it was subscribed and over-subscribed and

the subscription would have been even more if there did not exist this difference between 'Approved Security' and 'Government security' to which I have already drawn attention. Perhaps we would have closed the loan in the course of a few days, because there are several constituents who are doubting whether it would not have a better status if it had been a 'Government Security.' By that time, we had already got the notification from the Government of India that it should be treated as "Approved Security"; and still as I said the investing public would rather discriminate and they are very anxious that the Government loan should come under 'Government Security' and not under 'Approved Security.'

Sri M. V. RAMA RAO.—The expression 'Government Security' is contained in the Public Debt Act 1944 Central enactment, as also in the Mysore Public Debt Act, 1953. But the connotation of the expression 'Government Security' in the case of the Union enactment is Government security where the expression 'Government' itself means 'Government of India.' And under the Mysore Public Debt Act of 1953, the expression 'Government Security' means a security within the meaning of the enactment in Mysore where the expression 'Government' means the Government of Mysore. The expression 'Approved Security' is not to be found either in this or in the Union enactment, but is found only in the Insurance Act; and securities other than Government Securities also happen to be approved securities within the meaning of the Insurance Act. And it is probably in that context that the reference to the Port Trust and other securities that the Hon'ble the Law Minister was referring to, is made. I am only asking for clarification: Is it the position that the Government of India do not recognise that the Mysore State Government Securities as 'Approved Securities' within the meaning of the Insurance Act?

Sri A. G. RAMACHANDRA RAO.—That is not the position. They have

approved it. The Government of India has approved it and it is said it is 'Approved Security' under the Insurance Act and there is absolutely no trouble in treating it as 'Approved Security'.

Sri M. V. RAMA RAO.—Then why does the Government want to make the Mysore State Security as the Government of India Security. Do they want to take our financial power?

* **Sri A. BHEEMAPPA NAIK** (Molakalmuru).—I feel there is this difference, Sir. If it is Government Security guaranteed by the Government of India, the position of the loan would be much better than if it is guaranteed by the Government of Mysore. Therefore if it is Government Security coming under Public Debt Act of 1944, the persons who contribute to these securities would feel a little better. They would feel: Here is a loan offered by under Government of India guarantee. Though even now it is a Government Security, the man who contributes to this loan from Bombay or from Calcutta, he may have a better sense of confidence and he always feels it better in the case of lending money that it is not merely to a State Government he is lending, but the loan is also guaranteed by the Government of India. The investor would be in a better position, happier position, if he feels that there is the Government of India standing as guarantor for the repayment of the loan. Thereby we do not relegate our own position and say 'they do not trust us'. Not that outsiders have no confidence in the State Government. We are handing over this trust to the Government of India so as to inspire better trust and better confidence in the minds of the investing public outside the State. Well, the people in, say, Madras State which is a Part A State will surely say: here is a security which is backed by the Government of India and we can safely invest. Otherwise people outside would naturally prefer between Mysore Government loan and Part A State Loan, the Part A State loan, because the latter will have the guarantee of the Government of India. Therefore, in order to create

* Asterisk indicates that the speeches or remarks have not been revised by the Member concerned.

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better confidence in the minds of the investors living outside Mysore State, it is very necessary that these securities should come under the Government Securities as contemplated in the Public Debt Act of 1944, in which case, so far as Mysore Government is concerned, it does not matter whether it comes under this Act or whether it continues under the previous Act of 1953. The investor outside must feel a little more confident because it comes under the Public Debt Act of the Government of India. Even otherwise, the Government of Mysore, even if the State Act is in existence, cannot float a loan without the permission of the Government of India. So whether it is on the concurrent list of the Centre or here, it does not matter. The present arrangement would be better because it would create better confidence in the mind of the investing public outside the State. That seems to be the object of this resolution. By this resolution, we are coming under the Central Act and asking the Central Government to treat Part B State which is Mysore to give the same financial stability as any other Part A State. Unless the legislature of this State approves this principle, this Government cannot approach the Central Government to apply their Act to our State. In order to enable the Central Government to make such an amendment under section 252, this resolution seems to be necessary and the consent of this House seems to be necessary. Therefore, Sir, while this would create a sense of confidence in the minds of investors outside the State, it would not affect us, the subjects of the State, very much.

Sri M. V. RAMA RAO.—Is the re-payment of the Mysore State loan guaranteed, in addition to the State Government, also by the Reserve Bank, Sir?

Sri A. G. RAMACHANDRA RAO.—Yes. All these securities will have the backing of the Reserve Bank of India. Now, Sir, I am glad the House has understood the main position because there is an absence of

knowledge, I may put it, about the difference between the Government Security and the Approved Security that has been explained now. The only other question that remains is that of Sri Srinivasa Iyengar. The point raised was: the loans are under the control of the Government of India and the agency is the Reserve Bank; when such is the case, why should there be a duplication? I believe the House agrees with the principle for which this has been brought, that is, for the removal of administrative difficulties, not only that but in order to infuse more confidence in the public that this resolution is necessary. It is beneficial and it is also useful. Though we have not envisaged floating of any public loan, we are going to do it, as has been said in the speech of the Chief Minister, in order to facilitate the investing public which is not confined to Mysore alone this resolution's necessary. Finance is, as I said even in my preliminary remarks, an All-India matter. We have to get subscription from all over India. The working of a unified law, I am sure, will attract the public. The resolution is good, and sound and it is quite opportune and it is better that we pass the resolution.

Mr. SPEAKER.—The question is :

* “That this House do resolve in pursuance of clause (1) article 252 of the Constitution that the Public Debt Act, 1944 (Central Act No. XVIII of 1944), be adopted in the State of Mysore in respect of the Public Debt of the State.”

The motion was adopted.

Mr. SPEAKER.—There is the other Resolution by the Chief Minister.

Sri K. HANUMANTHAIYA (Chief Minister).—I am not moving it now, Sir.

Mr. SPEAKER.—The other Bill is Mysore Housing Board Bill.
